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C O N F I D E N T I A L MOSCOW 2136

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E.O. 11652 GDS
TAGS: ETRD, EEWT, UR, US
SUBJ: RIVALRY BETWEEN SOVIET MINISTRY OF FOREIGN TRADE AND STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY

REF: MOSCOW 18532, DECEMBER 13, 1974

1. SUMMARY. DURING FEBRUARY 11 MEETING WITH COMMERCIAL ATTACHE, COMMOFF AND USDOC/BEWT REP, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY

REPS WERE STRONGLY CRITICAL OF PERFORMANCE OF USSR MINISTRY OF FOREIGN TRADE IN NEGOTIATING SO-CALLED "COMPENSATION" DEALS WITH FOREIGN COMPANIES. THEY EXPRESSED HOPE THAT RECENT RESTRUCTURING OF KEY OFFICE IN MINISTRY OF FOREIGN TRADE WOULD LEAD TO IMPROVEMENTS.

END SUMMARY.

2. DISCUSSION OF STATE COMMITTEE/MINISTRY OF FOREIGN TRADE RELATIONSHIP AT FEBRUARY 11 MEETING AROSE IN CONTEXT OF PENDING NEGOTIATIONS ON KAISER ALUMINUM "COMPENSATION" DEAL. STATE COMMITTEE REPS (S.A. GLEBOV AND A.S. BARINOV) NOTED THAT ALL TECHNICAL ASPECTS OF KAISER DEAL HAD BEEN NEGOTIATED BY END OF JUNE 1974, AT WHICH TIME "COMMERCIAL" NEGOTIATIONS SHOULD HAVE CONFIDENTIAL

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BEEN INITIATED BY MINISTRY OF FOREIGN TRADE. UNFORTUNATELY,

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THEY SAID, MINISTRY WAS UNABLE TO DO NECESSARY PAPERWORK
WITHIN REASONABLE PERIOD OF TIME, WITH CONSEQUENCE THAT
INVITATION TO KAISER TO BEGIN "COMMERCIAL" TALKS WAS SENT OUT
IN FEBRUARY 1975. AS EXAMPLE OF FOREIGN TRADE MINISTRY'S
INABILITY TO NEGOTIATE COMPLEX DEALS, GLEBOV POINTED TO EX-
PERIENCE OF UNION CARBIDE/CONSTRUCTORS JOHN BROWN POLYETHYLENE
PROJECT IN WHICH TWO OF THREE NECESSARY CONTRACTS (WITH TECH-
MASHIMPORT FOR EQUIPMENT AND LICENSINTORG FOR TECHNOLOGY) HAVE
BEEN NEGOTIATED AND SIGNED WHILE THIRD (WITH SOYUZKHI EXPORT
FOR BUY-BACK, I.E. COMPENSATION, OF POLYETHYLENE) HAS NOT BEEN
SIGNED. CONSEQUENTLY, THIS PROJECT, FROM
SOVIET POINT OF VIEW, IS NOT "COMPENSATION" DEAL BUT SIMPLE
COMPLETE PLANT PURCHASE WITH DEFERRED PAYMENT (THROUGH UK
ECGD CREDIT). (COMMENT: FRENCH EMBOFF ADVISED COMMATT RECENTLY
THAT ESSENTIALLY SAME THING HAS HAPPENED ON CREUSOT LOIRE AMMONIA
PLANTS. EQUIPMENT HAS BEEN SOLD, HE SAID, BUT SALES CONTRACT
FOR AMMONIA HAS NOT BEEN SIGNED. END COMMENT). GLEBOV
ATTRIBUTED THIS STATE OF AFFAIRS TO INCOMPETANCE OF FOREIGN TRADE
MINISTRY. WHILE IN CASE OF UNION CARBIDE/CJB DEAL, WHICH WAS
VALUED AT ABOUT DOLLARS 45 MILLION, MISTAKES OF THIS TYPE
COULD BE TOLERATED, GLEBOV POINTED OUT THAT IT WOULD BE
IMPOSSIBLE TO ADOPT A RELAXED ATTITUDE ON 2.5 BILLION DOLLAR
DEAL UNDER DISCUSSION WITH KAISER.

3. LOOKING AHEAD, GLEBOV EXPRESSED HOPE THAT RECENT REORG-
ANIZATIONS WITHIN MINISTRY OF FOREIGN TRADE'S MAIN ADMINIS-
TRATION FOR THE IMPORT OF MACHINERY AND EQUIPMENT FROM CAPITALIST
COUNTRIES (FORMERLY HEADED BY RECENTLY-PROMOTED DEPUTY MINISTER
V.N. SUSHKOV AND NOW HEADED BY A.L. STESNOV) WOULD
RESULT IN CLOSER COORDINATION OF THESE DEALS. ACCORDING
TO GLEBOV, KEY MAN IN FOREIGN TRADE MINISTRY FOR /COMPEN-
SATION" DEALS IS NOW S.V. TSUKANOV. (COMMENT: REFLECTING
THIS FACT, TSUKANOV'S CURRENT BUSINESS CARD IDENTIFIES HIM
AS "CHIEF OF ADMINISTRATION FOR COMPENSATION PROJECTS IN
MACHINEBUILDING, FERROUS AND NON-FERROUS METALLURGY, MINING
INDUSTRY, CONSTRUCTION MATERIALS, LIGHT, FOOD AND OTHER
BRANCHES OF INDUSTRY, USSR MINISTRY OF FOREIGN TRADE."
WITHIN THIS RATHER UNWIELDY TITLE, ONE CAN APPARENTLY
FIND AN INDICATION THAT MINISTRY OF FOREIGN TRADE IS ALSO
AWARE OF ITS SHORTCOMINGS IN PREVIOUS NEGOTIATIONS ON
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"COMPENSATION" DEALS AND HAS ATTEMPTED TO REMEDY SITUATION
BY CREATING NEW ADMINISTRATION WHICH WILL OVERSEE NEGOTATIONS
ON THESE PROJECTS. END COMMENT).

4. COMMENT: JUDGING FROM STATEMENTS BY GLEBOV AND BARINOV,
STATE COMMITTEE HAS EXPERIENCED CONSIDEREBLE FRUSTRATION WHILE
WATCHING ITS TREASURED PROJECTS, SUCH AS KAISER DEAL, RUN INTO
SNAGS AS A RESULT OF WHAT THEY SEE AS THE MINISTRY OF FOREIGN

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TRADE'S INCOMPETANCE. IN HIS NEW POSITION OF RESPONSIBILITY, TSUKANOV MAY BE ABLE TO PUSH THINGS AHEAD MORE RAPIDLY. HE INDICATED THAT THIS WAS HIS HOPE DURING LENGTHY REVIEW OF PENDING "COMPENSATION" DEALS AT COMMERCIAL OFFICE FEBRUARY 13.
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